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THE BRITISH CREDIT SYSTEM.

INFLATED BANK CREDIT

AS A SUBSTITUTE FOR

"CURRENT MONEY OF THE REALM."

THE WAY "TO PAY DEBTS WITHOUT MONEYS."
AND TO MAKE "THE RICH RICHER
AND THE POOR POORER."

BY

HENRY CAREY BAIRD.

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BANK INFLATION IN ENGLAND.

From the PHILADELPHIA PRESS, March 15, 1875.

To the Editor of the Press :—

The entire stock in trade of the American bullionist, the thing with which he frightens people who are wholly ignorant of finance, the means he uses to perpetuate his power as the great middleman, the parasite *par excellence* as a dealer in credit, is "Inflation." The only inflation, however, which he pretends to see himself, or wishes others to see, is that of the little monetary instrument—the circulating note, the people's rivulet that irrigates the whole land, and brings peace and prosperity in rills to all classes, rich and poor alike, and with these results, power to the State. He wholly ignores inflation of the great monetary instrument, bank and other credit, the Mississippi of currency, an inferior substitute which men are forced to use when the law places an arbitrary limit upon the one of superior quality, the "current money of the realm."

In no other country in the world has the bullionist held such supreme control during half a century as in England, in none other has he as a credit monger so nicely "feathered his nest" at the expense of the people; in none other is the yawning gulf which divides rich and poor more steadily widening, and the most potent instrumentality in producing this state of affairs has been the contraction of the volume of the little monetary instrument, "the current money of the realm," and the inflation of the great monetary instrument, bank credit. How this great middleman interest is worked, what immense power it wields, and what profits it realizes from insignificant means, are clearly shown by the statement of The London and County Banking Company, of London, December 31, 1874 :—

That institution had a capital of	£1,200,000
Reserve	600,000

£1,800,000

But its loans were as follows :—

On call	£3,050,922
Discounted bills and advances	14,113,465
Drafts accepted.	2,780,005

£19,944,392

What a grand system of "inflation"! An irresponsible private institution, with £1,800,000 of capital and reserve, adding £19,944,392 to the purchasing power of those who borrowed its credit, precisely as much so as would an addition of £19,944,392 to the circulating medium of the country add to the purchasing power of the whole people! But this was not all. This institution held cash on hand to the amount of £2,461,448, being almost equal to the full amount of its capital, reserve undivided profits, and subscriptions paid on account of new shares. Still further, it held government and other stocks and securities, and real estate to the amount of £2,506,547.

Now how have these results, as magical as those which came from Aladdin's lamp, been accomplished? Why, by lending an ever-increasing volume of credit, which is based on a fixed sum of money or credit called *capital*, and receiving it, or that of similar English banks, in deposits, in the aggregate amounting to the almost unparalleled sum of £19,892,586, which deposits are, by means of checks and the clearing-house, kept floating round in a circle among these banks—the balances between the banks being settled without the use of a single pound sterling of money, but by checks on the Bank of England.* Be it remembered, too, that this London and County Banking Company has no circulation of its own, but, that where it does use notes they are those of the Bank of England.

The result of the business of the bank for the past year, after paying large salaries and other expenses, was dividends amounting to 20 per cent., that too, in a land where the public fund-holder is content with a trifle over 3 per cent., and the small depositor in the Postal Savings Bank with $2\frac{1}{2}$ per cent.

Is it not high time that the British government ceased to limit the volume of the "current money of the realm," and thus to legislate in the interest of such a set of vampires as the London and County Banking Co.? The English reformers have now been at work for half a century, and they have really accomplished nothing of material advantage to the

* To show how very small an amount of banking deposits are made in the form of money we give the following statement, made by Sir John Lubbock before the Statistical Society in June, 1865, in which he analyzed a sum of £19,000,000 paid into his bank by customers:—

Checks and bills	£18,395,000	or 97 per cent.
Bank of England notes	408,000	} 3 per cent.
Country notes	79,000	
Coin	118,000	

From which statement it appears that only 3 per cent. of banking deposits are paid in the form of money, that is, notes and coin together, and a little more than $\frac{1}{2}$ per cent. in specie.—*Patterson's Science of Finance*, pp. 5, 6; Edinburgh, 1868.

people. Let them concentrate their whole effort upon monetary reform. Let them demand that current money of the realm shall take the place now held by an inflated bank credit, and they will find that the power of the people over the accumulations of the past will soon show itself, and will bless and prosper the many instead of the few, as at present.

The great, insolvable problem of the public debt of Great Britain awaits in the near future an easy solution. Let the government take from the Bank of England and all other banks the right to issue circulating notes, and issue them itself in exchange for consols, allowing the people full liberty to decide upon the volume of such notes, and making them at all times interconvertible with consols. These notes will take the place of mere unsubstantial bank credit, and flowing out among the people will disseminate the force now centralized in the hands of a few bank officers, stockholders, and borrowers, and enable the people, the real source of national wealth and power, to contribute almost immediately, at least as much toward the payment of the public debt as they did from 1816 to 1822, before resumption of specie payments, or £16,000,000 per annum; besides which the debt will certainly be carried at 2 per cent. per annum interest, instead of 3 per cent., and this alone will rapidly lighten its burden.* In addition to all of these advantages credit, misnamed "financial crises," will soon be a thing of the past, and the great body of the people of Great Britain will clearly see, as many do now among us, that "in the interchangeability (at the option of the holder) of national paper money with government bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its 'governor.' Such paper-money tokens would be much nearer perfect standards of payment than gold and silver ever have been or can be." That all of these things will come to pass, and even in Great Britain, in the not very distant future, and that they will finally and forever drive pauperism from those islands, is my firm conviction.

HENRY CAREY BAIRD

* The public debt of Great Britain is now £779,283,245 = \$3,787,316,570, and consequently a reduction of 1 per cent. per annum interest would give an immediate annual relief of \$37,873,165. In fifty years, however, there would be a saving to the people and the State of \$6,409,654,563, being the difference between \$16,603,217,111, the amount of the debt at the expiration of that time, at compound interest, at 3 per cent., and \$10,193,562,548, its amount at 2 per cent.

CAPITAL AND CURRENCY.

Including an attempt to show what it is that England loans and what our Government and Railroads borrow from her.

[A REJECTED COMMUNICATION.]

To the Editors of the Boston Daily Advertiser:—

Permit me to ask the favor that you will allow me to make a critical examination of an important sentence in the rejoinder of "W. E." to Mr. Wendell Phillips on "Capital and Currency," in your paper of the 18th inst. The sentence is as follows:—

"I said," says W. E., "that, in order to make the rate of interest permanently lower in this country, it would be necessary to make the supply of loanable capital larger than it now is, *relatively to the demand for it*, and that this could be done only by borrowing abroad, or by slow accumulation at home—in short, that capital, and not currency, was the thing needed to satisfy Mr. Phillips's desire, and that capital could not be created by any act of legislation."

The question which meets us at the very threshold of this investigation, and demands an answer, is, *What is capital?* Without this answer, and, in addition, an analysis of that which W. E. calls "loanable capital," we shall remain in ignorance as well of the nature of our conclusions as of our premises; we shall, indeed, not know what it is that we are talking about.

Capital has been defined by an eminent American economist as "the instrument by the aid of which production is directed to the uses of man," and exists, as he adds, in the form of land and its improvements, ships, ploughs, mental development, books, corn, roads, steam-engines, money, and that confidence between man and man which is known as *credit*. This latter has been characterized by a very acute and able Scotch economist, R. H. Patterson, as "our invisible capital." Let us now inquire what is the "loanable capital" to which W. E. refers, and the supply of which may, as he thinks, be increased "only by borrowing abroad or by slow accumulation at home;" and see if it is not mere credit, the "invisible capital" of Mr. Patterson. Let us trace out the manner of organizing and subsequently of working one of those greatest

of all the credit institutions in the world, a London bank, and see if we cannot thereby shed some light upon the problem.

The stock subscribed for in a new bank in London is paid for almost entirely by means of checks drawn against deposits in the Bank of England, or other London banks, and which do not actually represent money in hand, but credits on the books of these banks. The operation, then, is but the mere transfer of the ownership of credits from individuals or corporations to the new bank, and these credits usually remain with the Bank of England, while they continue to be the property of the new bank. Customers now come to the new bank and ask loans or discounts on stocks, bonds, promissory notes, and bills of exchange, and credits are carried to their respective accounts on the books of the bank and are called *deposits*. Some parts of these deposits are transferred by means of checks to the creditors of these depositors, and of them some may remain with the bank as deposits to the credit of the new parties, while others are taken to other banks and deposited with them. But a small amount is drawn in notes or specie, and even of this a portion soon finds its way back to the new bank or goes to other banks. The "loanable capital" thus loaned, is, by the aid of checks, made to perform the same functions as circulating notes and specie, and by the aid of the London clearing house is kept revolving round in a circle among the banks, the balances being paid not by means of money, but simply by checks drawn upon the Bank of England, where all of the other banks keep their accounts. Indeed, the deposits from day to day received from the public by the London banks and bankers consist of little else than the checks which transfer the ownership of deposits already held by the various city and country banks,* *the original sources of the production of which deposits are loans*.

The deposits created by the new bank, as long as they are not drawn in either notes or specie, admit of new loans in this and other banks, as much so as if the first loan had not been made, and new "loanable capital" is called into existence and still further loans are made, creating new deposits

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—these latter being worked round in the same vicious circle through the clearing house, with the actual payment of but a small amount of money. How this results is well illustrated by the statement of THE LONDON AND COUNTY BANKING COMPANY, December, 31, 1874:—

That institution had a capital of	£1,200,000
Reserve	600,000
	£1,800,000

Its loans were as follows:—

On call	£3,050,922
Discounted bills and advances	14,113,465
Drafts accepted	2,780,005
	£19,944,392

Besides which, it held government and other securities and real estate to the amount of £2,506,547, and cash (mostly deposits to its credit in the Bank of England) to the amount of £2,461,448—this latter item representing almost exactly the amount of its capital, reserve, undivided profits, and subscriptions to new shares, or, in a word, the whole of its worldly possessions. How then is it enabled to make such large loans, or to hold securities and other property to such an amount as £22,450,939, seeing that in addition to doing and having these things, it holds all of its own worldly possessions in hand, in cash, or in the Bank of England? Why, by means of a gradual growth of *debits* representing *loans*, which give rise to *credits* called *deposits*, the latter constituting “loanable capital,” the steady “evolution” of which is rendered possible so long as these deposits are not demanded in notes or specie, but are transferred by means of checks and clearing-houses. With the London and County Banking Company these credits called deposits had, on December 31, 1874, reached an aggregate of £19,892,586.*

* Bank loans and the resulting deposits accumulate in business centres in proportion to the ability of those centres to work bank credits through checks and clearing-houses, without demanding circulating notes or specie. In small towns doing business with rural populations they do not accumulate largely, because a demand for circulating notes or specie, almost the only circulating mediums there used, soon follows loans and draws upon the actual resources of the banks. In other words, these rural banks bank mainly upon their own resources, and not upon their credit, as city banks so largely do. In France these loans and deposits do not accumulate because the people generally use money and not checks in their business affairs. M. Pinard, Manager of the *Comptoir d'Escompte*, of Paris, testified before the French Commission of Inquiry, 1865–68, that the greatest efforts had been made by that institution to induce French merchants and shopkeepers to adopt English habits in respect to the use of checks and the keeping of bank accounts, but in vain; their prejudices were invincible; “it was no use reasoning with them, they would not do it, because they would not.” The private deposits in the Bank of France and its branches, May 20, 1875, were but \$73,828,260, while the deposits in the banks of New York City, June 5, 1875—nearly all private—were \$233,424,100. The private loans and discounts of the Bank of France and its branches, May

These debits and credits, these loans and deposits are well nigh without any financial base whatever, for the reason that the base upon which they are supposed to rest is little else than credits (deposits) with the Bank of England, which themselves only rest upon the same specie and loan to the nation (national debt due the bank), upon which the Bank of England bases its own operations, regardless of those of the London and County Banking Company, and the other banks which keep their accounts with it. Once cancel both these debits and credits, use the one to pay the other, and the great volume of this "slow accumulation" of "loanable capital" would instantly collapse and shrink from some £24,912,387 to about £2,461,448! Perform the same process with three or four other large London banks, and it would result in a total collapse of British finance, trade, commerce, and industry!

How is it then, that a country, the instrument of payment of which is of such an inflated and ticklish nature, is able to lend so much "money," so much "loanable capital" to almost the whole world beside? The answer is, that the carrying of these loans is rendered possible by reason of this system of bank credit, while bills of exchange drawn against merchandise shipped to the borrowing or other countries, or against interest due on former loans, prevent the shipment of money—the latter being the actual form of capital which the borrowing country needs, no country having plenty of which, ever being under the necessity of becoming a borrower. Thus does the rest of the world get none of the thing it most needs, but merely goods, for which it does not then pay; or a funding of the interest which it then owes, or both; the individual consumers of the goods or the debtors for interest paying, however, while the borrowers have their indebtedness carried by and through the credits in favor of foreigners, created by means of goods then or pre-

20, 1875, were but \$118,243,800, while those of the banks of New York City were \$281,401,100. Our country, being one of vast area compared with its population, cannot build up and work a general system of inflated bank credit like that of Great Britain, and must therefore, if for no other and better reason, have a full volume of "current money of the realm," as France has, or stagnate and annually waste labor-power worth thousands of millions of dollars, and at the same time be dependent upon foreigners for "loanable capital." While on May 1, 1875, the National Banks of the United States had—

Capital	\$497,717,143
Surplus fund	131,404,608
Undivided profits	55,849,959
	\$684,971,710

Their loans and discounts were \$964,574,114

or but about 40 per cent. in excess of the net resources of these banks. This, too, was in spite of the fact of the inflation of the banks of New York and other large cities, which banks are included in this return. (NOTE—June 20, 1875.)

viously purchased, and which are soon wholly consumed, while the debt for them remains a permanent charge upon their country at compound interest. All the while the borrowing country amuses itself with the idea that it is getting money for the reason that the individual borrowers of these credits obtain payment in bills of exchange for which in their own country they get money or bank credit; while at the same time, the lending country could not stand up under the effects of parting with so many goods without payment, did not bank credit at home supply an available substitute for it.

The evidence of the inability of Great Britain to loan *actual money* in any great amount, to foreign countries, is found in the fact that the transfer of the \$15,500,000 indemnity under the Geneva award, which she had to pay to our government, she, for prudential reasons, effected gradually by means of bills of exchange and securities instead of money, the thing which was to be paid; and the further fact that the Bank of England served notice upon Mr. Boutwell that in case he attempted to draw specie from London for certain loans there negotiated, that institution would step in and break up his combinations and contracts; in other words, cut off the supply of loans—the “loanable capital”—from the banks and bankers who were about to buy the bonds, because these bank loans were not to be allowed to float round among the London banks in the form of deposits, but were to be drawn in specie for shipment.* The lesson to be learned from these facts is, that Great Britain with all her boasted wealth and power never willingly gives up that most royal of all things, MONEY, that species of capital which commands on the instant, indeed calls into being, almost all other forms of capital; without a struggle and the attempt or desire to force off instead something which she values less. •

Seeing now, as we do, what is the nature of the great bulk of the instrument of payment in Great Britain, may we not ask, why our legal tender note, our democratic currency, backed as it is by the whole credit and all of the resources of a great and wealthy country, and which freely

* “When the negotiations were going on in London for the sale of the largest amount of United States bonds that have ever been sold there at one time, it was foreseen by the Bank of England that a quantity of coin would accumulate as the proceeds of these bonds to the credit of the government of the United States. As a matter of fact, there was an accumulation of about \$21,000,000. The Bank of England, foreseeing that there would be an accumulation of coin to the credit of the United States which might be taken away bodily in specie, gave notice to the officers of the Treasury Department of the United States that the power of that institution would be arrayed against the whole proceeding unless we gave a pledge that the coin should not be removed, and that we would reinvest it in the bonds of the United States as they were offered in the markets of London. We were compelled to do it.”—*Speech of Hon. G. S. Boutwell in U. S. Senate, January 22, 1874.*

circulates among the whole people, is not quite as good as it? Why is it not better, since it has at once this broad and firm foundation, and is not open to the charge of being an instrument for centralizing power in the hands of a few, who can manufacture, borrow, inflate, contract, and manipulate such a monopolist credit currency as that of Great Britain? It is indeed better, and *is as truly capital*, and when once it is made at all times interconvertible, at the pleasure of the holder, with U. S. bonds bearing a fixed rate of interest, not exceeding 3.65 per cent., it will be the most nearly perfect in the world. Then will its volume be neither more nor less than is demanded by the industry, commerce, and trade of the *whole people*, and not only will these people, but the State, be saved from immense taxation, in the form of interest now paid to a few domestic manufacturers of credit, but we shall be emancipated from our long and disastrous dependence upon Great Britain for credit, "loanable capital" which seldom comes to the country in any form but that of merchandise or extended interest or dividends. Our own national and full-volumed money circulating throughout the country, and setting an unemployed people to work, will gather up, as a saving fund, billions of millions of minutes, which would otherwise be lost, and without a single stagnant product, or an unoccupied arm, we shall soon be enabled to *produce in one year, in addition to our present product, more merchandise than all that we have borrowed from Great Britain within half a century*. An "act of legislation" which shall bring such fruits will indeed be one which will "create" both capital and wealth, and will shower blessings upon 43,000,000 of human beings, drive pauperism from out the land, by leading to a more equitable distribution of God's gifts to man, and result in a higher, a truer, and a more enduring civilization.

Will then Massachusetts, and New England generally, still continue to stand in the way of at least a trial of such a law? If they do they will assume an immense, a dreadful responsibility, which sooner or later they will be forced to acknowledge, when surrounded by yet still greater ruin, they are obliged to try that law, and trying it, they realize the beneficence of its workings amongst the people, and the independence and power it confers upon the State, an independence the celebration of which will in no sense be a mockery, as must be that of any other, while our government is at the mercy of foreign credit-mongers.

HENRY CAREY BAIRD.

TREMONT HOUSE, Boston, March 25, 1875.

BULLIONISM AND BANK INFLATION.

How they travel hand in hand together.

The way the English "pay debts without moneys."

From the PHILADELPHIA INQUIRER, August 4, 1875.

To the Editor of The Philadelphia Inquirer—

My friend, Judge Kelley, having in a recent letter given some rather startling figures regarding the London and County Banking Company, of London, exhibiting the extent to which that institution carries the system of inflation of bank credits, I desire to place before your readers the evidence that those figures give but little more than a fair average specimen of the state of the London banks generally. To that end I have compiled from the supplement to the London *Economist*, May 15, 1875, the following:—

Table showing the leading items of thirteen London Joint Stock Banks, December 31, 1874.

Names.	Capital.	Reserve Fund (surplus)	Loans, dis- counts, etc.	Deposits.	Cash, including deposits in the Bank of England.	Public securi- ties, etc. etc.	Real Estate, etc.
Alliance Bank.....	£800,000	£180,000	£2,726,295	£1,890,068	£638,140	£80,953	
Central Bank of London.....	100,000	20,000	591,507	769,039	186,039	81,859	£37,018
City Bank, London.....	600,000	170,000	6,211,396	3,287,862	787,950	329,027	54,351
City and County Bank.....	25,011	750	98,682	86,972	9,019		
Consolidated Bank.....	800,000	106,575	3,089,100	3,072,641	807,102	208,944	180,752
Imperial Bank.....	675,000	80,000	3,325,174	2,115,416	596,555	72,370	23,680
London and County Banking Co....	1,200,000	600,000	19,944,392	19,892,586	2,461,448	2,083,470	408,077
London Joint Stock Bank.....	1,200,000	505,283	18,895,531	20,527,276	2,296,901	1,080,000	126,290
London and Provincial Bank.....	150,000	24,110	926,106	1,319,098	198,253	339,718	22,119
London and Southwestern Bank....	166,180	9,000	890,027	907,592	174,401		33,144
London and Westminster Bank....	2,000,000	1,046,150	25,389,754	30,015,194	3,861,387	3,998,851	
Merchants' Banking Co. of London	375,000	75,000	2,903,442	2,599,230	211,804		20,000
Union Bank of London.....	1,395,000	450,000	15,512,979	14,122,111	2,357,367	2,940,978	423,462
	£9,486,191	£3,266,868	£100,504,385	£100,605,085	£14,586,366	£11,216,170	£1,328,893

From the foregoing figures it would seem that in London, at least, they have learned how "to pay debts without moneys," a lesson that Andrew Yarranton, the father of English political economy, desired to teach to his countrymen at as early a date as 1677; to-day nearly all of the large debts in that city being paid by mere bank credits, which have absolutely little or no monetary foundation whatever.

With a capital and reserve or surplus of £12,753,059, of which nearly the whole, or £12,545,063, is invested in public securities, real estate, etc., these institutions have gradually accumulated a line of loans of £100,504,385, resulting in credits to the borrowers or their assigns, called deposits, almost wholly the out-growth of these loans, of £100,605,085. So long as there is no extraordinary demand for payment outside of it, these deposits are readily kept afloat through and by means of the clearing-house.

These deposits, which are worked through checks, become an instrument of payment as potent as would be the addition of £100,000,000 to the money of Great Britain. In other words, they are in their effect equal to the doubling of the gold circulation of the realm, which is now estimated by the highest authorities at £100,000,000, but with this difference, that the deposits being worked by the few, they become an instrument for the aggrandizement of those few and for the enslavement of the many. These credit-mongers and those in our own country understand this full well, and when they cry out against "inflation" they pretend to be opposed to the very thing they are in favor of. What they are really opposed to, is having such a normal volume of "current money of the realm" as will obviate all necessity for that immense volume of bank credit, through the use of which they annually levy taxes upon the public to the amount of hundreds of millions of dollars.

The "cash" £14,586,366 held by the London banks above named, small as it is compared with their liabilities payable on demand, consists largely of mere deposits (credits) with the Bank of England, thus constituting the latter the almost exclusive base upon which rests this towering superstructure of bank credit. The *Economist* has recently said "the reserve of the Bank of England is the only reserve the nation possesses, and has not been increased in proportion to the very great amount of the demands to which the bank is now exposed, as compared to those it had formerly to meet." The weight of these "demands" may be inferred from the fact that during October and November, 1874, the deficiency of the bank note reserve of the Bank of England, as compared with the mere bankers' balances in its hands, ranged from £734,000 to £2,478,000. The reason why the burden has so increased, is found in the fact that, while since 1844, the trade of Great Britain has increased many fold, the circulation of coin has increased but little, and that of notes not issued on coin or bullion actually in hand, not at all. Hence the growing trade has annually to call upon banks for an increasing

volume of their inferior substitute, credit circulating through the London and other clearing-houses.*

Judge Kelley and the gathering hosts of which he is now the acknowledged leader, only demand that the people of this country shall no longer be placed under the tyranny of such legislation as limits the money of the country below the actual wants of business, to be followed by the creation of an inflated, expensive, and unstable bank credit system like that of England. To that end, they advocate a full volumed currency, at all times interconvertible with United States bonds bearing a fixed rate of interest, not exceeding 3.65 per cent. Such a currency will in time cause nearly all business to be done for cash as in 1864-5, and will save us from those desolating crises which, sooner or later, in Great Britain, here, or elsewhere, follow an inflated credit substitute for a sufficient volume of "current money of the realm."†

HENRY CAREY BAIRD.

PHILADELPHIA, August 2, 1875.

* In 1844 the deposits in the following banks were :—

London and County	£1,231,000
London Joint Stock	2,245,000
London and Westminster	2,676,000
Union	1,591,000
	<u>£7,743,000</u>

In 1874 they were :—

London and County	£19,892,586
London Joint Stock	20,527,276
London and Westminster	30,015,194
Union	14,122,111
	<u>£84,557,167</u>

† The ticklish nature of the British system of inflated bank credit is well shown by the following from *The Economist*, the highest English authority on finance, July 10, 1875 :—

"There can be little doubt that we have very narrowly escaped a panic. The great mercantile disasters which have followed so rapidly one after another, the failure of two bill brokers, and above all, the very serious losses avowed by our joint stock banks, and especially by the London and Westminster (the one whose business is largest, and whose repute greatest) would, in former times, have nearly or quite shaken the foundation of credit. The mercantile disasters which primarily caused the panic of 1857, were certainly not much greater; perhaps they were even less. The main cause to which we owe our escape is the increase of the cash reserve in the banking department of the Bank of England. The panic of 1857 found the bank with a reserve of £2,706,000; the late events found it with one of £10,344,000, which had increased to £12,385,000 before the second group of failures came. And it is to this great improvement that we owe our present safety. As was natural, the great increase of the fund which we hold to give confidence in times of alarm, had the effect of creating that confidence. Even as it is, we, on a former occasion, showed that we have but narrowly escaped. If a war had broken out between France and Germany just before these events when it was so much feared even by many who ought to know, and if, as is most likely, like the previous similar war of 1870, it had caused £3,000,000 to be taken from our banking reserve for the Continent, these great calamities would have found the bank with a probably insufficient reserve instead of a sufficient one. But, nevertheless, in comparison with such times as 1857, much praise is justly due to the present policy of the Bank. Though it did not provide for the contingency, which was near occurring, it did provide for the contingency which did happen, and we all have to be grateful to it."

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